CANADA-BRITISH COLUMBIA CROP INSURANCE

FINANCIAL STATEMENTS AND SELECTED STATISTICS

For the Year Ended March 31, 1987

Agriculture Canada

Province of British Columbia
Ministry of
Agriculture and Fisheries

88-026877

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B.C. MINISTRY OF AGRICULTURE AND FISHERIES
CROP INSURANCE BRANCH

Victoria, Canada

Auditors' Report

Financial Statements - March 31, 1987

KPMG Peat Marwick

Chartered Accountants

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AUDITORS' REPORT

We have examined the balance sheet of the B.C. Ministry of Agriculture and Fisheries - Crop Insurance Branch as at March 31, 1987 and the statement of revenue, expenditure and deficit for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Branch as at March 31, 1987 and the results of its operations for the year then ended in accordance with the accounting principles described in Note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Peat Marwick

Chartered Accountants

Vancouver, Canada
June 19, 1987

B.C. MINISTRY OF AGRICULTURE AND FISHERIES -
CROP INSURANCE BRANCH

Balance Sheet

March 31, 1987

(With comparative figures for 1986)

	1987	1986
Assets		
Due from the Ministry of Finance and Corporate Relations	$ 194,680	241,835
Premiums receivable:		
Due from insured growers	3,948,204	3,031,719
Premiums subsidy receivable from the Government of Canada	3,910,265	2,944,969
	$ 8,053,149	6,218,523
Liabilities and Deficit		
Provision for losses incurred	$ 660,000	1,784,000
Unearned premiums	4,370,688	3,444,529
Advances from the Ministry of Finance and Corporate Relations (Note 4)	16,500,000	10,000,000
	21,530,688	15,228,529
Deficit, per accompanying statement	(13,477,539)	(9,010,006)
	$ 8,053,149	6,218,523

See accompanying notes to financial statements.

Director

B.C. MINISTRY OF AGRICULTURE AND FISHERIES -
CROP INSURANCE BRANCH

Statement of Revenue, Expenditure and Deficit

Year ended March 31, 1987

(With comparative figures for 1986)

	1987	1986
Revenue:		
Crop insurance premiums:		
Premiums from insured growers	$ 5,181,238	4,382,898
Premiums subsidy from the Government of Canada	5,178,043	5,616,228
Interest on overdue accounts	6,676	830
	10,365,957	9,999,956
Expenditure:		
Losses incurred	14,833,490	16,349,729
Excess of expenditure over revenue	4,467,533	6,349,773
Deficit, beginning of year	9,010,006	2,660,233
Deficit, end of year	$ 13,477,539	9,010,006

See accompanying notes to financial statements.

B.C. MINISTRY OF AGRICULTURE AND FISHERIES -
CROP INSURANCE BRANCH

Notes to Financial Statements

March 31, 1987

The Crop Insurance scheme, introduced in 1967, was established to stabilize farm income by minimizing, at an individual level, the detrimental economic effects of crop losses due to uncontrollable natural hazards. Commodities insured under the scheme are grouped into six programs: tree fruit, grain, forage, grape, berry and vegetable.

1. Authority:

   The Crop Insurance scheme is administered by the Province of British Columbia ("the Province"), Ministry of Agriculture and Fisheries under the authority of the Insurance for Crops Act, Chapter 202. The Act gives the Minister of Agriculture and Fisheries the authority to enter into an agreement with Her Majesty the Queen in the Right of Canada ("Federal Government") on crop insurance.

2. Significant accounting policies:

   (a) Basis of reporting:

   The Crop Insurance scheme financial position and activities are reported in accordance with the Financial Administration Act, Chapter 15 and Regulations and Treasury Board Policies and Guidelines.

   (b) Premiums subsidy from the Government of Canada:

   The Crop Insurance Agreement between the Federal Government and the Province requires the Federal Government to match crop insurance premiums received from insured growers. Under the agreement the Province is required to advance the federal contribution to the Crop Insurance Branch ("Branch") and apply for reimbursement from the Federal Government. Premiums subsidy from the Federal Government has been accrued as it is the opinion of management that premiums receivable from insured growers will be collected and are eligible for federal contribution.

   (c) Premium revenue:

   Premium revenue is included in income on a pro rata basis over the life of the insurance contracts.

   Under generally accepted accounting principles for property and casualty insurance companies, in those instances where anticipated future claims and expenses exceed unearned premiums, a provision for premium deficiency is recorded. Due to the nature of operations of the Crop Insurance scheme, the Branch does not record a provision for premium deficiency.

   (d) Provision for losses incurred:

   Losses are charged to income as incurred. The provision for losses incurred represents the accumulation of estimates from reported losses and those incurred but not reported. The methods of determining such estimates and establishing resulting provisions are continually reviewed and updated, and adjustments resulting therefrom are included in income currently. Since the provision is necessarily based on estimates, the ultimate liability may be more or less than the provision.

   (e) Allowance for doubtful accounts:

   Credit is normally granted to insureds for the amount of premium, until the insured crop is harvested.

   Since losses due to uncollectible accounts have been immaterial in the past no provision is made.

3. Change in accounting policy:

Effective April 1, 1985 the Branch changed its method of accounting from a cash basis to an accrual basis in order to comply with generally accepted accounting principles. The change in accounting policy was not applied retroactively and as a consequence the results of operations for the year ended March 31, 1986 are not in accordance with generally accepted accounting principles because the March 31, 1985 financial statements entered into the determination of those results. This impairs the comparability of the results of operations for the year ended March 31, 1987 and March 31, 1986.

4. Advances from the Ministry of Finance and Corporate Relations:

The Province, in accordance with Chapter 202 of the Insurance for Crops Act, has advanced a total of $16,500,000 on an unsecured, interest-free basis to the Branch to fund the premium deficiency.

In June 1986 the Insurance for Crops Act was amended to increase the Ministry of Finance and Corporate Relations Crop Insurance stablization appropriation from $10,000,000 to $20,000,000.

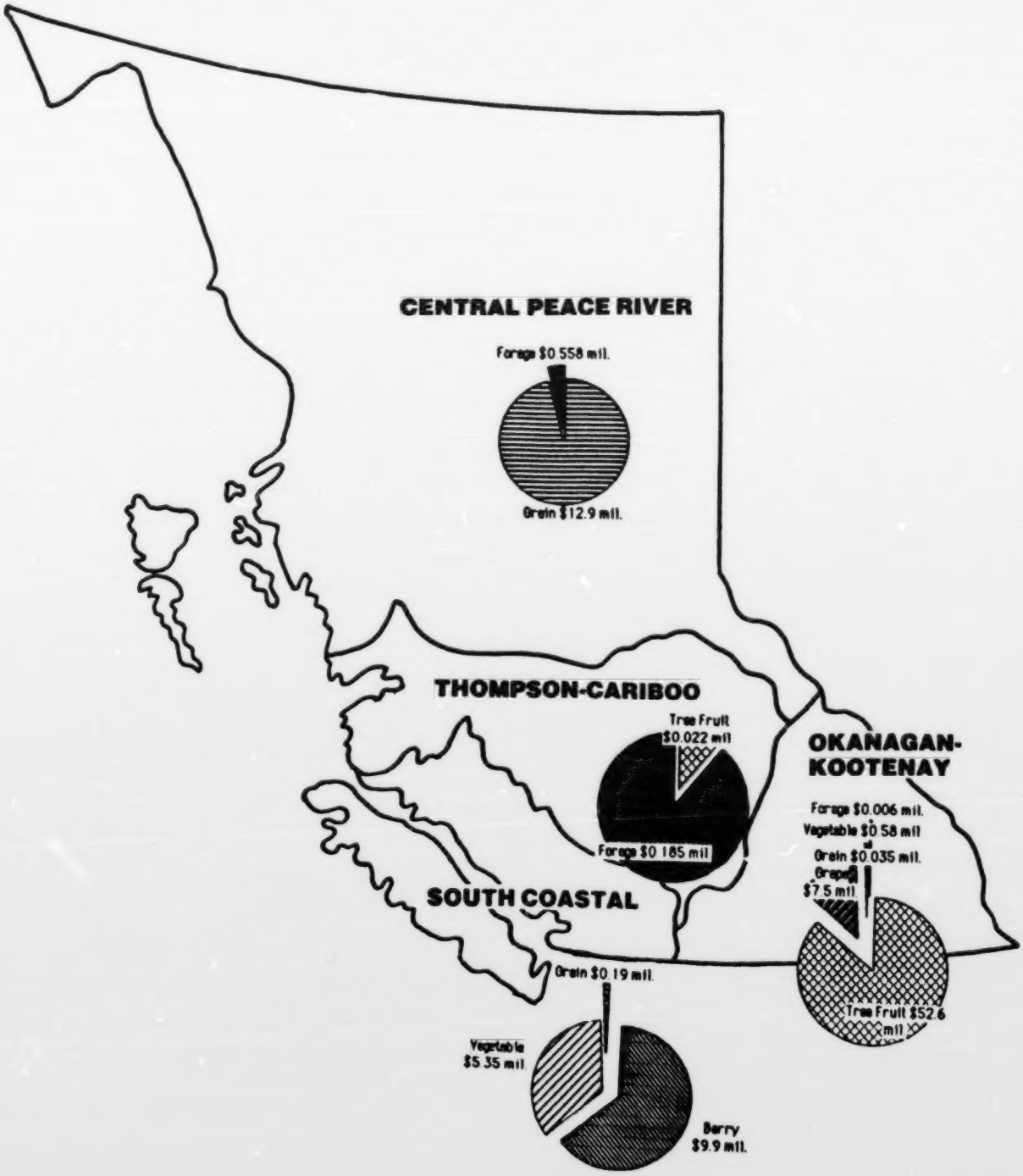
5. Costs borne by the Province:

The Crop Insurance Agreement between the Federal Government and the Province requires the Province to pay all the administration costs of the Crop Insurance scheme. Further, the above mentioned agreement states that the premium payable should be revised annually in such a manner as will keep the Crop Insurance scheme self-sustaining. Due to heavy losses in recent years and resulting financial stress to growers, premiums have not increased sufficiently to offset losses. The resulting deficit has been funded through advances from the Ministry of Finance and Corporate Relations (see Note 4). The following schedule discloses contributions of the Province, both to pay administration costs and the estimated cost to the Province of advancing monies on an interest-free basis to the Branch:

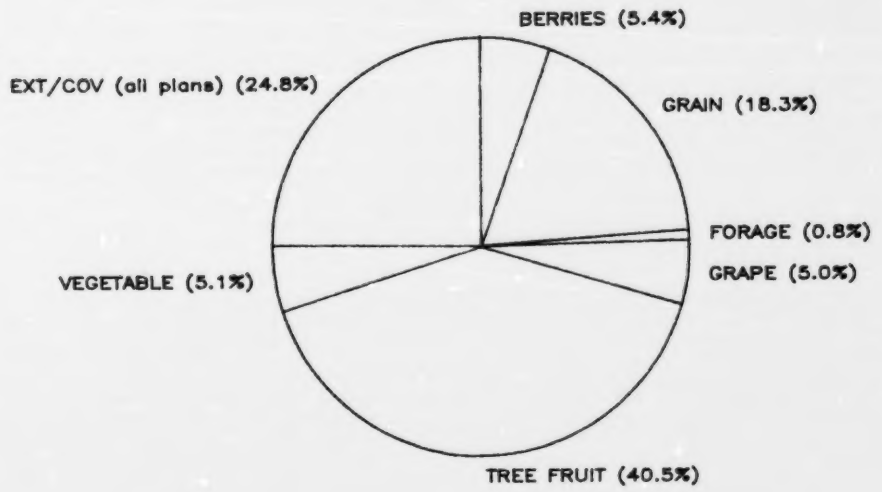
	1987	1986
Administration costs:		
Automobile expenses	$ 25,900	29,201
Data processing	61,500	9,965
Machinery and equipment	9,300	-
Meetings and staff training	4,700	555
Members' allowances and expenses	1,900	986
Miscellaneous supplies and services	1,400	2,051
Office equipment	4,100	-
Printing and stationery	14,000	9,082
Professional services	60,600	29,739
Rent	80,000	78,614
Salaries and benefits	833,600	665,882
Travelling expenses	48,700	30,793
	1,145,700	856,868
Estimated cost of borrowing funds which have been advanced on an interest-free basis to the Branch	1,291,000	706,624
	$ 2,436,700	1,563,492

SELECTED STATISTICS

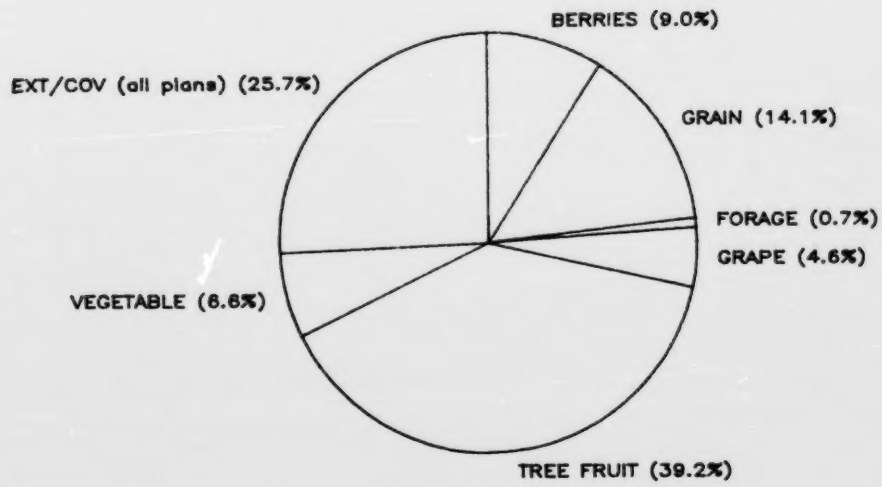
Crop Insurance Coverage By Agricultural Region (1986-87)

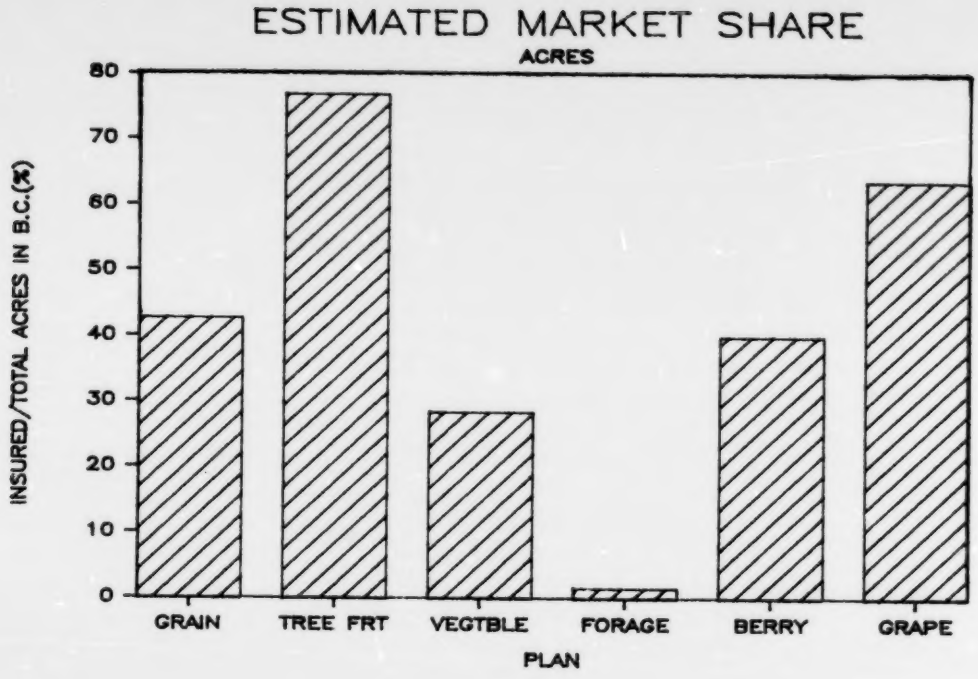


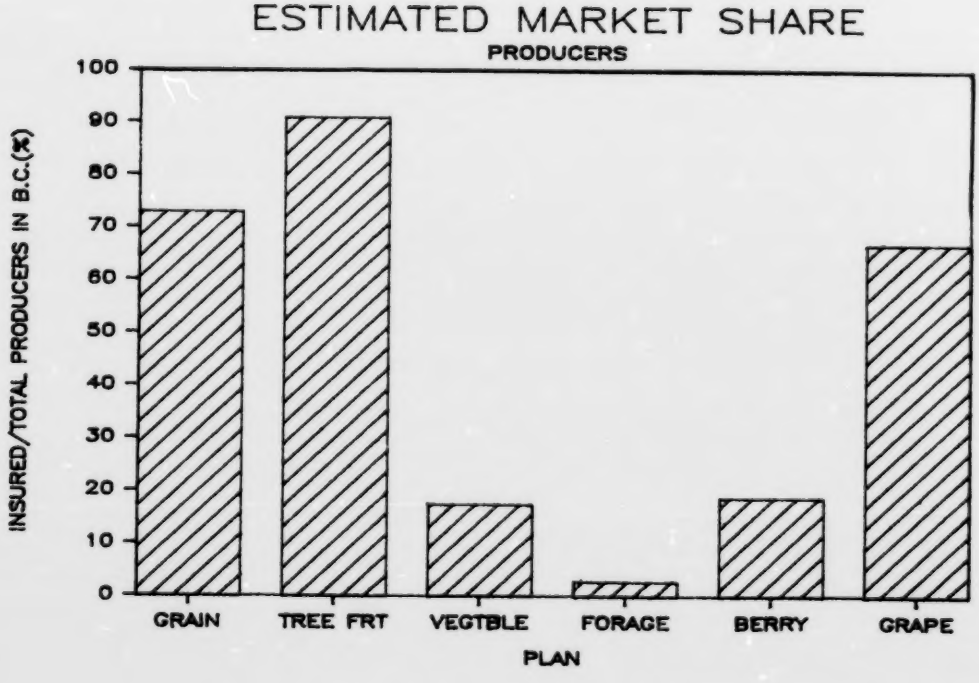
PROPORTION OF TOTAL COVERAGE BY PLAN
(1985–86)



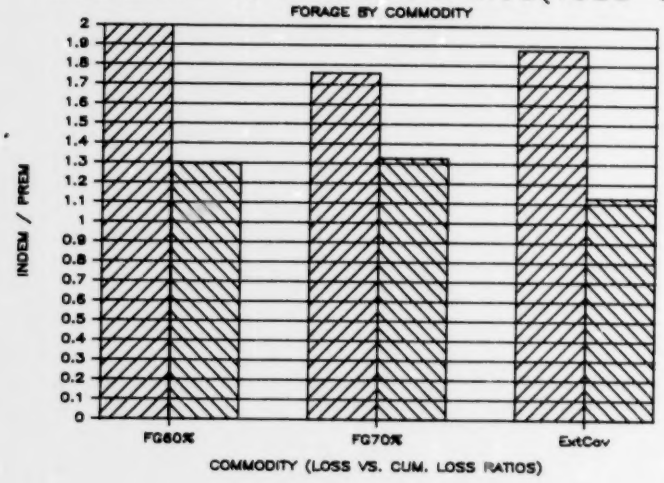
PROPORTION OF TOTAL COVERAGE BY PLAN
(1986–87)




ESTIMATED MARKET SHARE
ACRES
INSURED/TOTAL ACRES IN B.C.(%)
80
70
60
50
40
30
20
10
0
GRAIN
TREE FRT
VEGTBLE
FORAGE
BERRY
GRAPE
PLAN


ESTIMATED MARKET SHARE
PRODUCERS
INSURED/TOTAL PRODUCERS IN B.C.(%)
100
90
80
70
60
50
40
30
20
10
0
GRAIN
TREE FRT
VEGTBLE
FORAGE
BERRY
GRAPE
PLAN

INDEMNITY TO PREMIUM RATIOS(1986–87)



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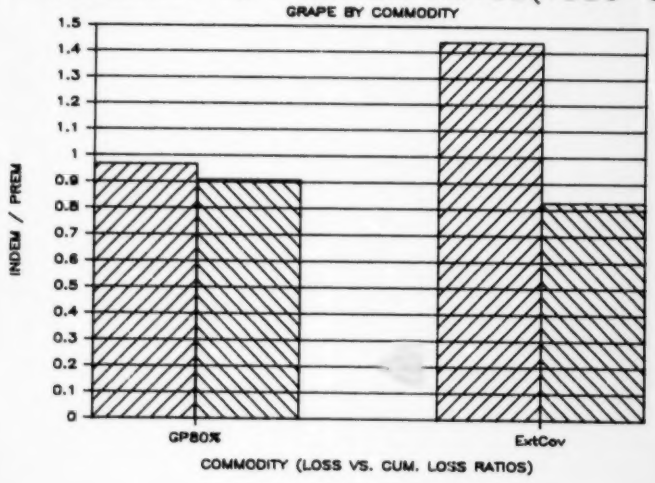

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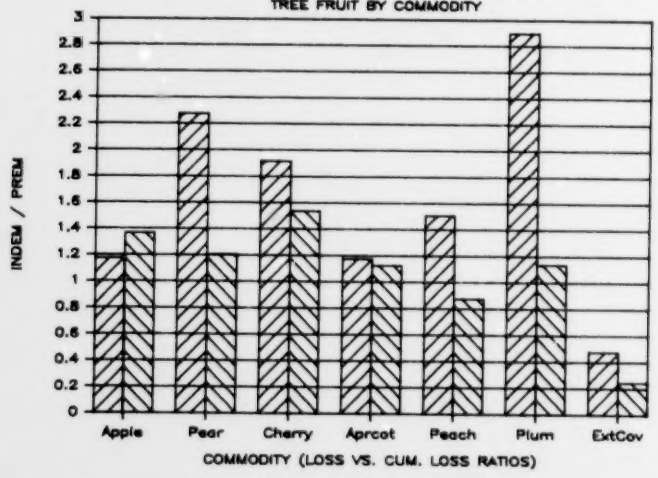

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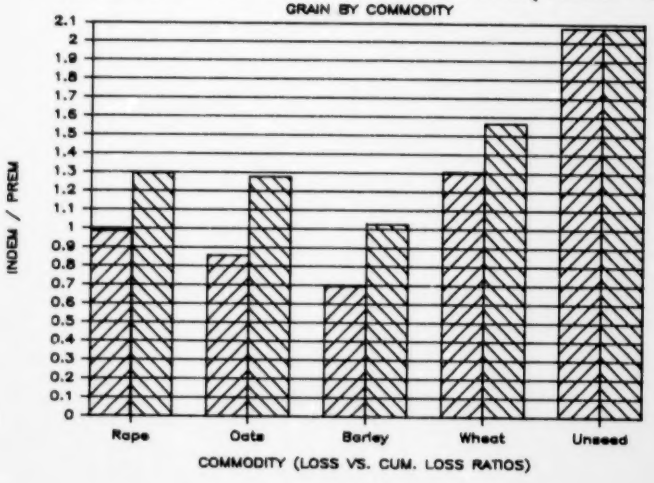
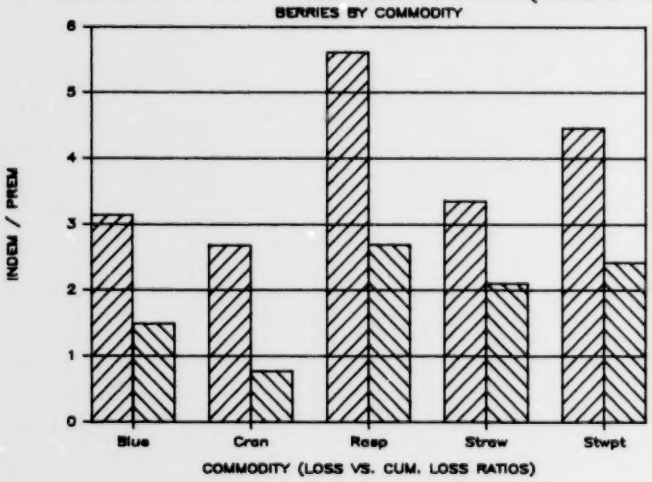
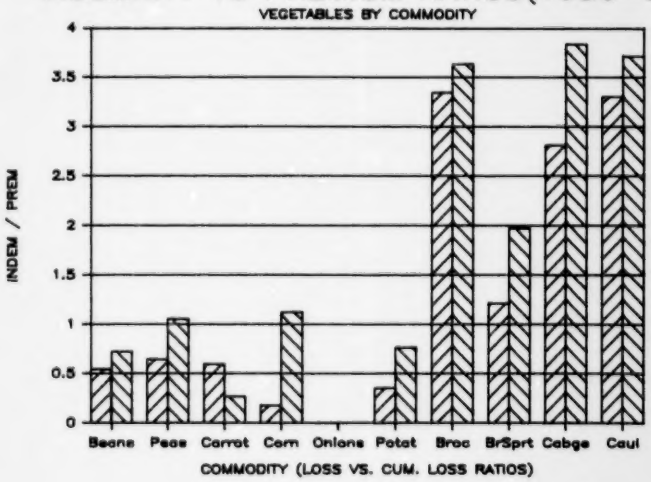
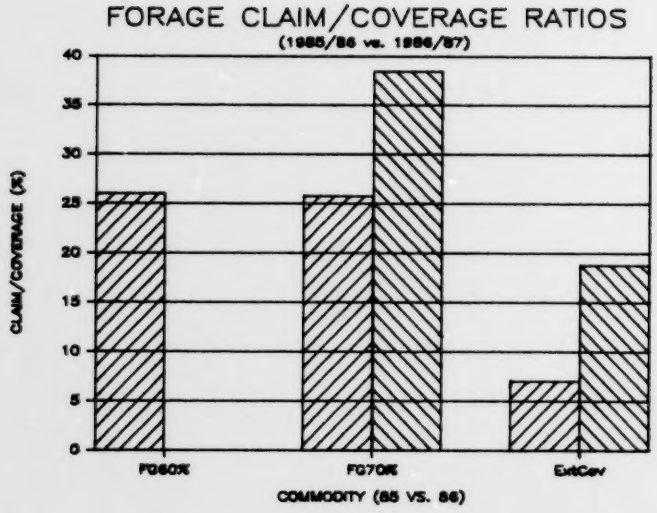


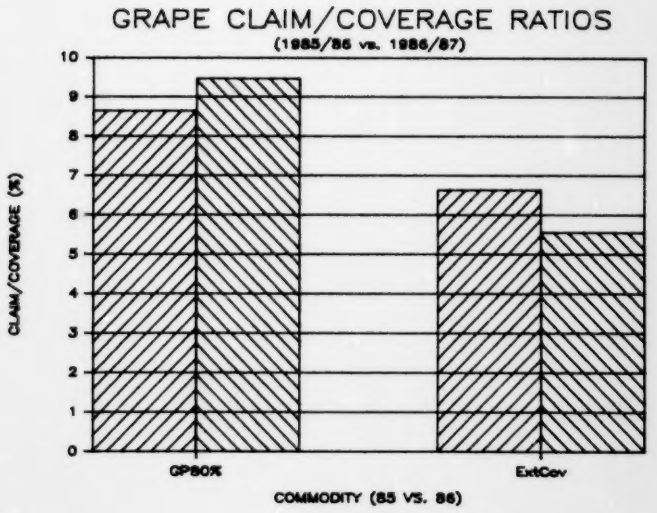
INDEMNITY TO PREMIUM RATIOS(1986–87)

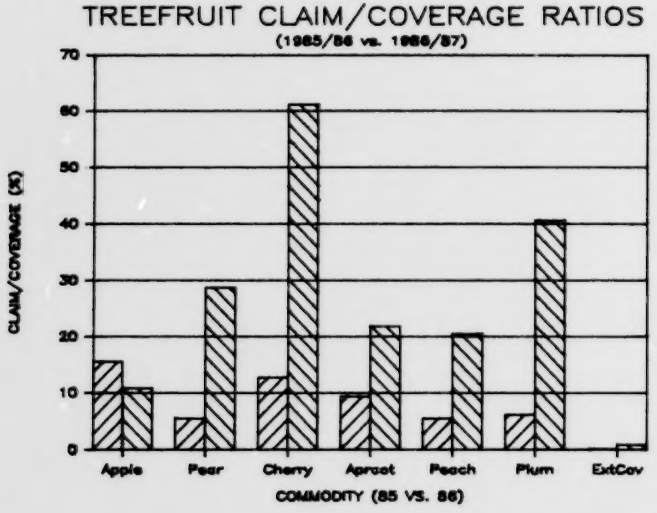


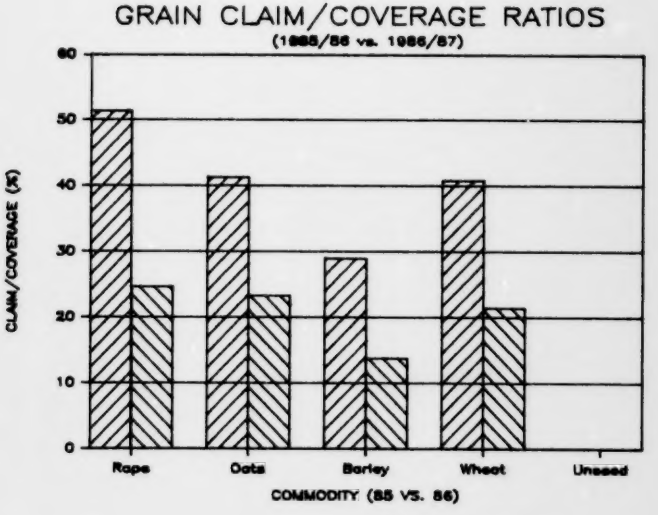
INDEMNITY TO PREMIUM RATIOS(1986–87)

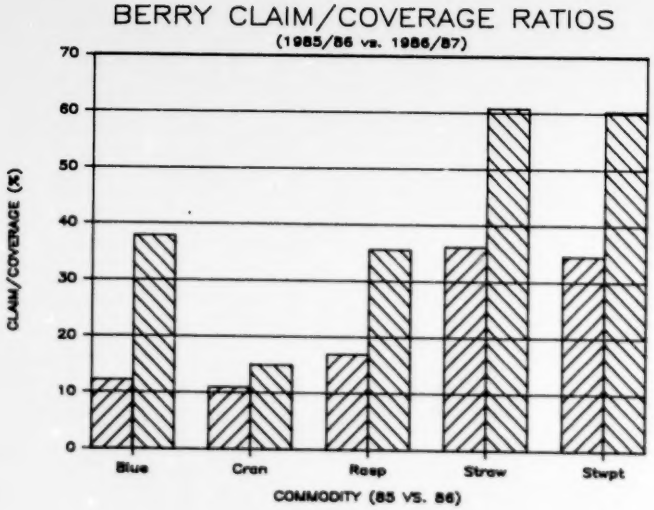


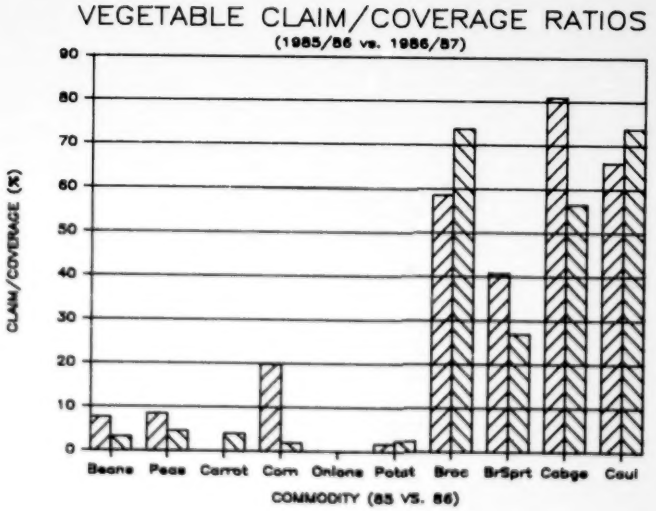

FORAGE CLAIM/COVERAGE RATIOS
(1985/86 vs. 1986/87)
CLAIM/COVERAGE (%)
0
5
10
15
20
25
30
35
40
FG60%
FG70%
ExtCov
COMMODITY (85 VS. 86)


GRAPE CLAIM/COVERAGE RATIOS
(1985/86 vs. 1986/87)
CLAIM/COVERAGE (%)
0
1
2
3
4
5
6
7
8
9
10
GP80%
ExtCov
COMMODITY (85 VS. 86)

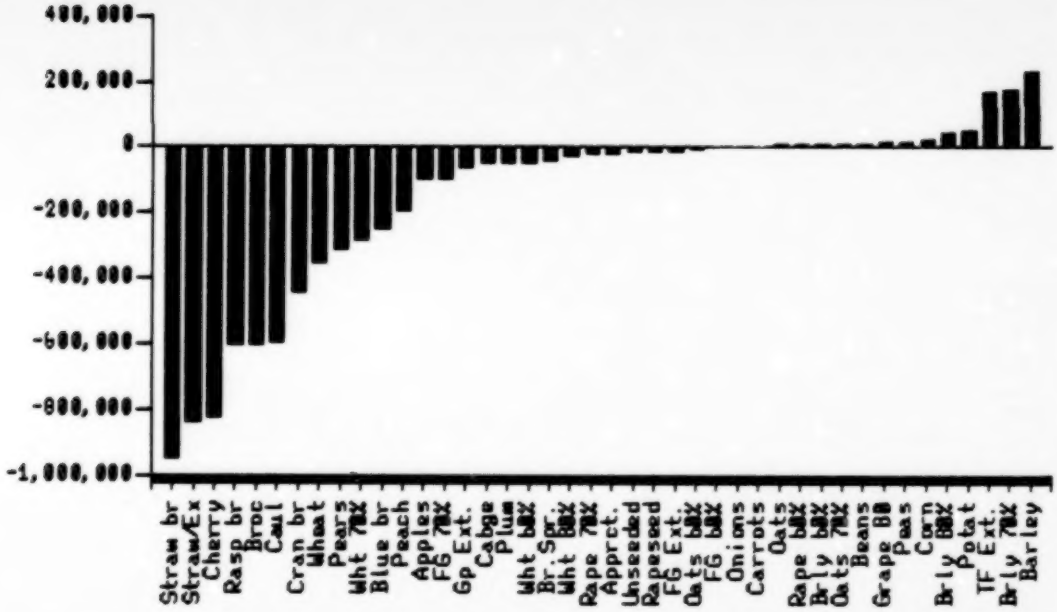

TREEFRUIT CLAIM/COVERAGE RATIOS
(1985/86 vs. 1986/87)
CLAIM/COVERAGE (%)
0
10
20
30
40
50
60
70
Apple
Pear
Cherry
Apricot
Peach
Plum
ExtCov
COMMODITY (85 VS. 86)


GRAIN CLAIM/COVERAGE RATIOS
(1985/86 vs. 1986/87)
CLAIM/COVERAGE (%)
0
10
20
30
40
50
60
Rape
Oats
Barley
Wheat
Unseed
COMMODITY (85 VS. 86)

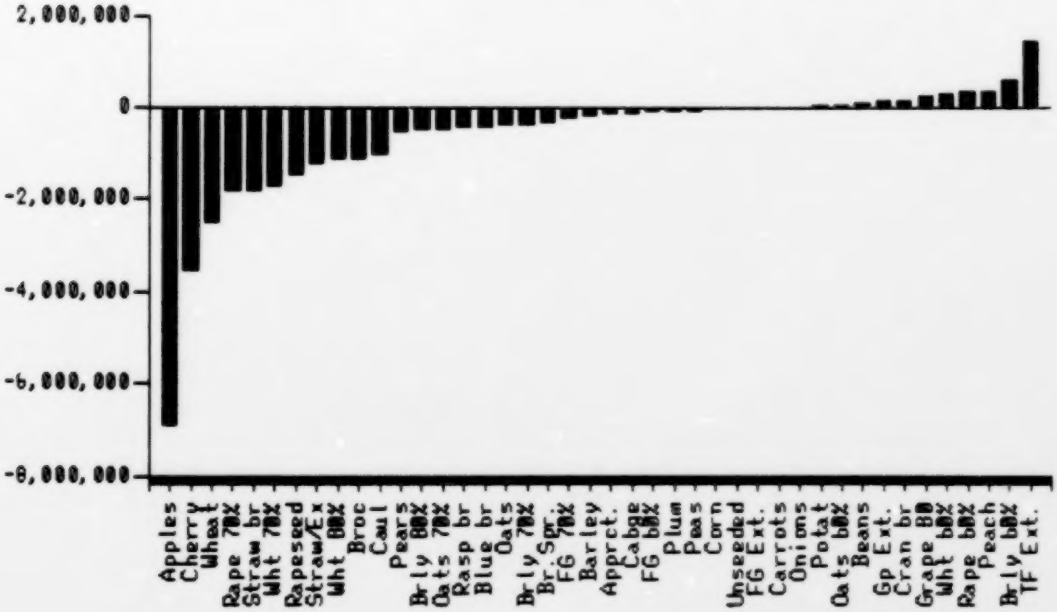

BERRY CLAIM/COVERAGE RATIOS
(1985/86 vs. 1986/87)
CLAIM/COVERAGE (%)
70
60
50
40
30
20
10
0
Blue
Cran
Rasp
Straw
Stwpt
COMMODITY (85 VS. 86)


VEGETABLE CLAIM/COVERAGE RATIOS
(1985/86 vs. 1986/87)
CLAIM/COVERAGE (%)
90
80
70
60
50
40
30
20
10
0
Beans
Peas
Carrot
Corn
Onions
Potat
Broc
BrSprt
Cabge
Caul
COMMODITY (85 VS. 86)

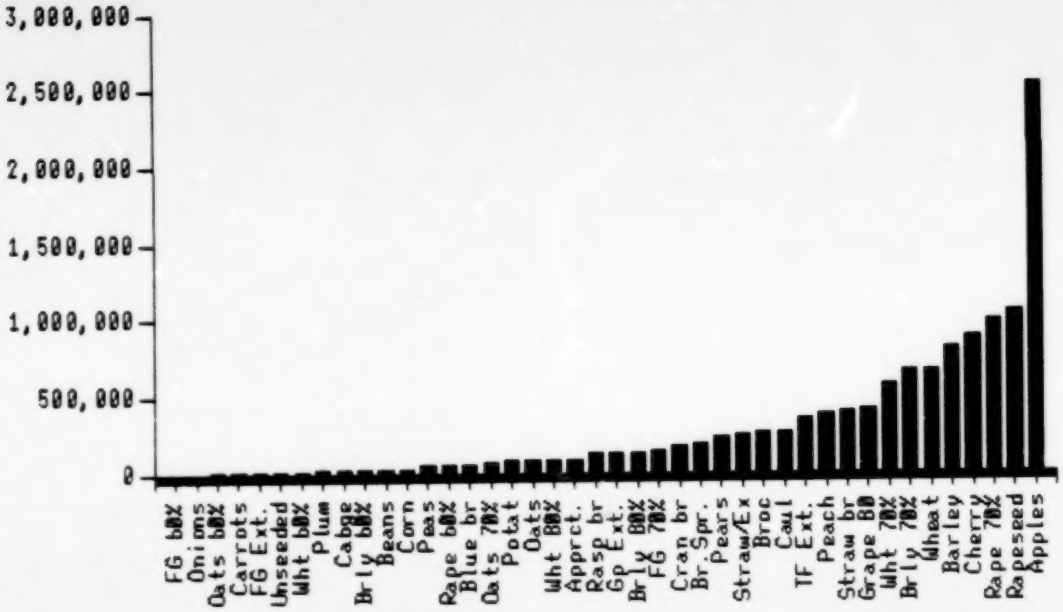
1986-87 ANNUAL SURPLUS/DEFICIT



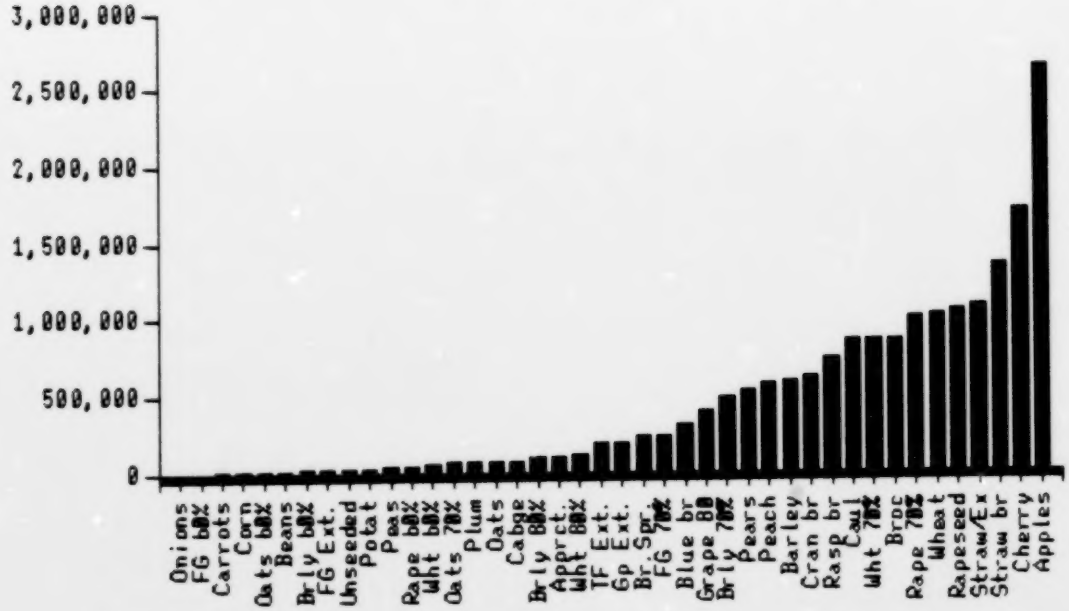
CUMULATIVE BALANCE

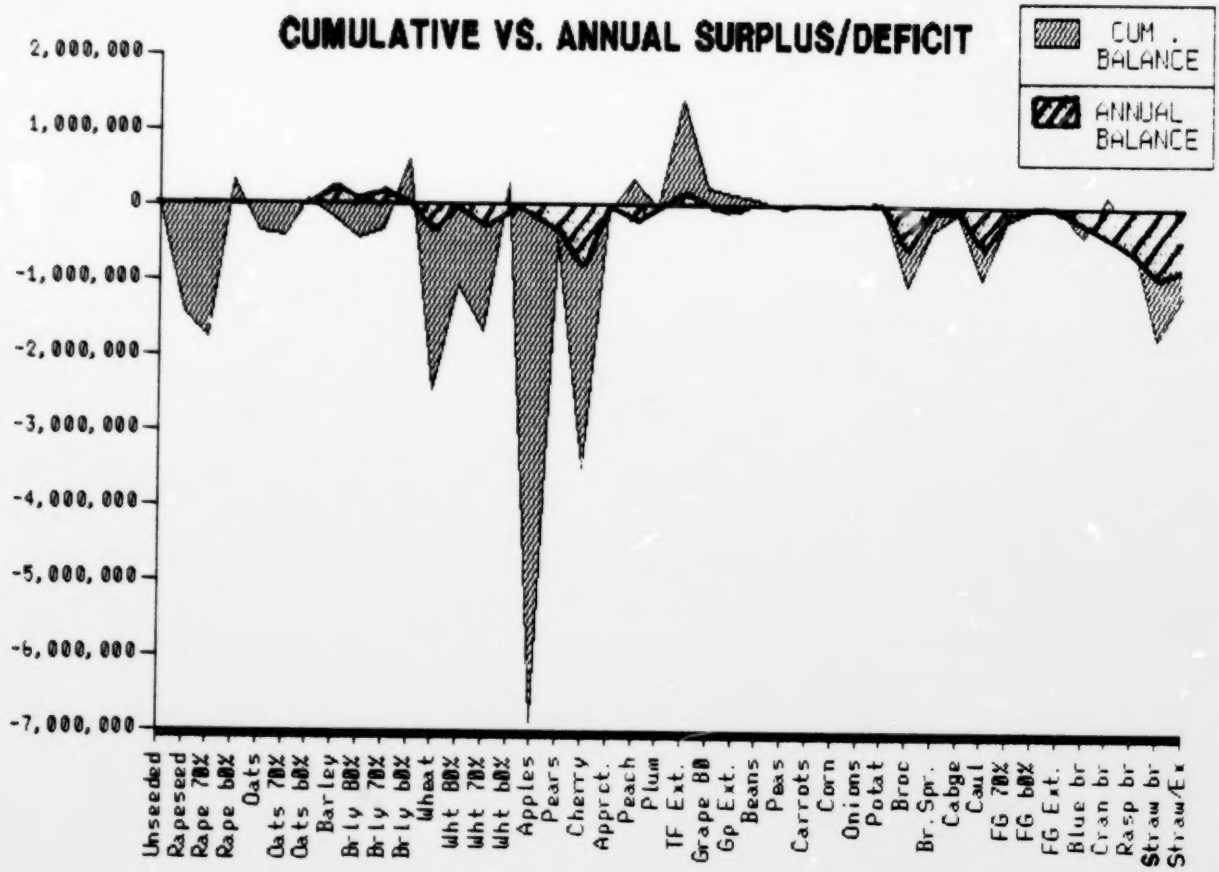


1986-87 PREMIUMS



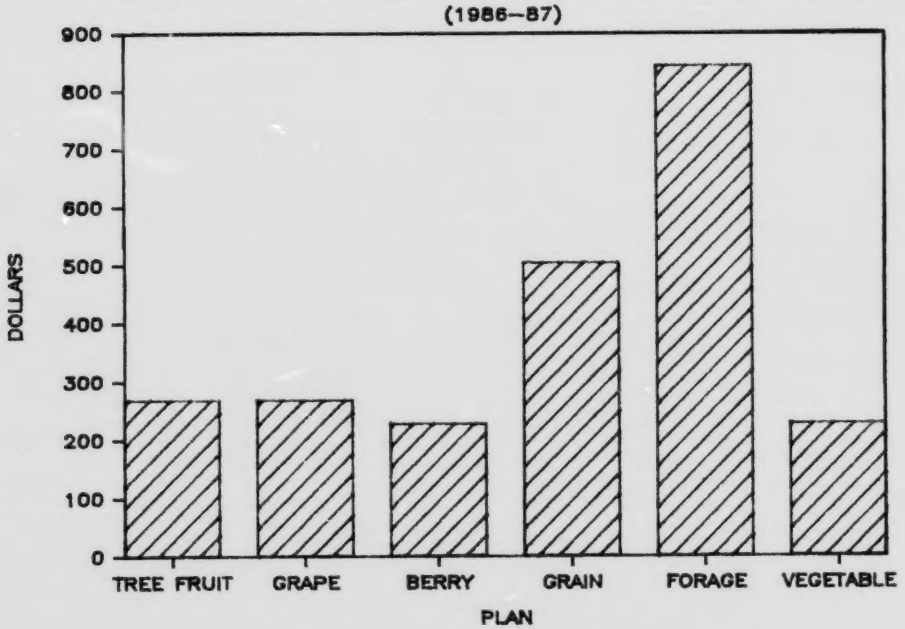
1986-87 INDEMNITY BY CROP




CUMULATIVE VS. ANNUAL SURPLUS/DEFICIT
CUM. BALANCE
ANNUAL BALANCE
2,000,000
1,000,000
0
-1,000,000
-2,000,000
-3,000,000
-4,000,000
-5,000,000
-6,000,000
-7,000,000
Unseeded
Rapeseed
Rape 70%
Rape 60%
Oats
Oats 70%
Oats 60%
Barley
Brly 80%
Brly 70%
Brly 60%
Wheat
Wht 80%
Wht 70%
Wht 60%
Apples
Pears
Cherry
Apprct.
Peach
Plum
TF Ext.
Grape 80
Gp Ext.
Beans
Peas
Carrots
Corn
Onions
Potat
Broc
Br.Spr.
Cabge
Caul
FG 70%
FG 60%
FG Ext.
Blue br
Cran br
Rasp br
Straw br
Straw/Ex

ADMINISTRATION COST PER CONTRACT

(1986–87)



ADMINISTRATION COST BY PLAN

(1986–87 – $1,124,080)